

## Message Text

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TO SECSTATE WASHDC 7985

INFO AMEMBASSY ANKARA

AMCONSUL THESSALONIKI

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E.O. 11652: N/A

TAGS: ENRG, EINV, GR

SUBJECT: AGREEMENT REACHED ON GOG-OCEANIC CONTRACT REVISION

REF: ATHENS 1737, 245, 210

1. FOLLOWING MEETING OF SENIOR GOG OFFICIALS UNDER CHAIRMANSHIP OF PRIME MINISTER CARAMANLIS, COORDINATION MINISTER PAPALIGOURAS ANNOUNCED THAT GOG AND OCEANIC EXPLORATION COMPANY HAD REACHED AGREEMENT ON PRINCIPAL CLAUSES OF AMENDMENT TO OCEANIC'S OIL EXPLORATION AND EXPLOITATION CONTRACT. AMENDED CONTRACT, PAPALIGOURAS SAID, WILL BE SUBMITTED TO PARLIAMENT FOR RATIFICATION WITHIN TWO-THREE WEEKS

2. HIGHLIGHTS OF NEW AGREEMENT ARE:

(A) GOG SHARE OF PROFITS FROM PRINOS WELLS AS PERCENTAGE OF DAILY OUTPUT:

1) UP TO 200,000 BARRELS 65 PERCENT

2) 200,000 BARRELS PLUS 80 PERCENT

(B) GOG WILL SHARE ALSO IN PROFITS FROM SULPHUR PRODUCTION (PREVIOUSLY GOG RECEIVED FLAT 53.5 PERCENT FROM HYDROCARBONS, NONE FROM SULPHUR PRODUCTION)

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(C) IF OCEANIC DISCOVERS ADDITIONAL RESERVES (BEYOND PRINOS),

GOG SHARE WILL ESCALATE, PROPORTIONAL TO DAILY OUTPUT:

- 1) UP TO 30,000 BARRELS 65 PERCENT
- 2) 30,000 - 80,000 BARRELS 70 PERCENT
- 3) 80,000 - 200,000 BARRELS 75 PERCENT
- 4) 200,000 PLUS 80 PERCENT

(D) GREEK STATE WILL TAKE ITS SHARE OF NET PROFITS "IN KIND"

(E) AS PER ORIGINAL CONTRACT, OCEANIC RETAINS 20 PERCENT

(1700 SQ. KLM) OF INITIAL CONCESSION (8500 SQ. KLM).

HOWEVER, RETAINED AREA IS IN TWO INTEGRAL AREAS, RATHER THAN SPOTTED OVER CONCESSION AS OCEANIC WISHED.

(F) EXPLORATION OF REMAINING CONCESSION MUST BE COMPLETED WITHIN FOUR YEARS VICE FULL 36 YEAR TERM OF INITIAL CONTRACT.

(G) WHEREAS INTERNATIONAL ARBITRATION WAS ELEMENT OF INITIAL CONTRACT, AMENDMENT NAMES PRESIDENT OF GREEK SUPREME COURT AS ULTIMATE ARBITRATOR

(H) OCEANIC MUST SECURE ESTIMATED REQUIRED FINANCING OF DOLS 250 MILLION. (ALTHOUGH WE HEARD AT ONE POINT IN CONTRACT NEGOTIATION THAT GOG IMPOSED 2 MONTH TIME LIMIT ON OCEANIC TO OBTAIN FINANCING, WE HAVE BEEN UNABLE TO VERIFY WHETHER THIS CONDITION REMAINS IN FINAL AMENDMENT OR NOT)

3. STATEMENT ALSO INCLUDED OUTLINE OF NEW GOVERNMENT ENERGY POSTURE AND IMPLEMENTING STRUCTURE:

(A) NATIONAL ENERGY BOARD WILL BE ESTABLISHED AS CONSULTANT TO COORDINATION MINISTER TO ENSURE COHERENT ENERGY POLICY WILL BE MAINTAINED THROUGHOUT GOG.

(B) PUBLIC PETROLEUM COMPANY (SIMILAR TO THOSE FOUND IN OTHER EUROPEAN COUNTRIES) WILL BE FORMED AND OPERATE UNDER SUPERVISION OF INDUSTRY MINISTER. COMPANY WILL BE STATE-OWNED AND ENGAGE IN HYDROCARBON EXPLORATION AND DEVELOPMENT

(C) A DRAFT LAW PROVIDING FOR THE ESTABLISHMENT AND OPERATION OF THE NATIONAL ENERGY BOARD AND THE PUBLIC PETROLEUM CORPORATION WILL BE SUBMITTED TO PARLIAMENT IN THE NEAR FUTURE.

(D) GOG INTENDS START GEOPHYSICAL AND SEISMIC RESEARCH IN NESTOS RIVER DELTA WITHIN THREE MONTHS. MODE OF SELECTION OF EXPLORATION COMPANY TO PERFORM EXPLORATION SERVICES UNDER CONTRACT NOT YET KNOWN. INFORMALLY WE HAVE HEARD INDUSTRY MINISTER INTENDS INVITE PROPOSALS FROM FEW SELECTED INTERNATIONAL COMPANIES IN NEAR FUTURE.

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4. FINALLY, STATEMENT STRESSED NEED FOR CONSERVATION, NOTING THAT PETROLEUM IMPORTS IN 1974 EXCEEDED DOLS 800 MILLION (150 PERCENT OF TOTAL 1974 GREEK IMPORTS). "NON-OPPRESSIVE" CONSERVATION MEASURES ARE UNDER PREPARATION AND WILL BE ANNOUNCED IN NEXT FEW DAYS.

5. COMPLETE DETAILS OF AMENDED CONTRACT STILL UNAVAILABLE. EMBASSY COMMENTS AND ANALYSIS WILL FOLLOW ON RECEIPT OF

FURTHER DATA.

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